

ORDER NO. 3021

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
First-Class Package Service Contract 37 (MC2014-42)  
Negotiated Service Agreement

Docket No. CP2014-75

ORDER APPROVING AMENDMENT TO  
FIRST-CLASS PACKAGE SERVICE NEGOTIATED SERVICE AGREEMENT

(Issued January 12, 2016)

I. INTRODUCTION

The Postal Service seeks to amend a First-Class Package Service negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> Notice of United States Postal Service of Amendment to First-Class Package Service Contract 37, with Portions Filed Under Seal, December 31, 2015 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 2179 the Commission approved the First-Class Package Service Contract 37 negotiated service agreement (Existing Agreement).<sup>2</sup> On December 31, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On January 4, 2016, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. *See id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment. PR Comments at 2. Based on that review, he concludes that the Amendment should not have a material effect on the cost coverage of First-Class Package Service Contract 37. *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as

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<sup>2</sup> See Docket Nos. MC2014-42 and CP2014-75, Order Adding First-Class Package Service Contract 37 to the Competitive Product List, September 10, 2014 (Order No. 2179).

<sup>3</sup> Order No. 2972, Notice and Order Concerning Amendment to a First-Class Package Service Negotiated Service Agreement, January 4, 2016.

<sup>4</sup> Public Representative Comments on Postal Service Notice of Amendment to First-Class Package Service Contract 37, January 7, 2016 (PR Comments).

the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment provides a minor clarification as to how price adjustments are calculated under the annual adjustment provision of the Existing Agreement.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>5</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

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<sup>5</sup> Docket Nos. MC2014-42 and CP2014-75, Request of the United States Postal Service to Add First-Class Package Service Contract 37 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, August 28, 2014, Attachment B at 3. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the First-Class Package Service Contract 37 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary